



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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**HEARING BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON CONSERVATION, CREDIT, ENERGY AND
RESEARCH**

**ENTITLED
“H.R. 4785: THE RURAL ENERGY SAVINGS PROGRAM ACT”**

**WRITTEN STATEMENT OF
THE NATIONAL ASSOCIATION OF REALTORS®**

MAY 12, 2010

Introduction

The National Association of REALTORS® appreciates the opportunity to submit a written statement on H.R. 4785, the Rural Energy Savings Program Act. Also known as “Rural Star,” the bill would propose to create jobs by establishing a loan program for energy-efficient building retrofits in rural America.

The National Association of REALTORS® (NAR) is America’s largest trade association, representing more than 1.1 million members involved in all aspects of residential and commercial real estate sectors. NAR is the leading advocate for homeownership, affordable housing and private property rights.

NAR Perspectives on the Proposed Rural Star Legislation

NAR strongly supports providing property owners with the resources they need to voluntarily improve their homes and applauds the Subcommittee for holding this hearing. The Rural Star bill would propose to do this by establishing a loan program for energy efficiency improvements which would add value to property and reduce energy costs while also stimulating a job market in remodeling and renovation. We thank Representative Jim Clyburn for his efforts on the “Rural Star” legislation, which is the subject of today’s hearing.

While we support the bill’s goal to make rural homes more energy efficient, NAR has concerns with the broad energy-audit and worker-training provisions in the bill. Implementation of these provisions is left to the USDA, which is then given even broader regulatory authority to carry out Rural Star while waiving the administrative procedures that protect consumers from unnecessary regulations and paperwork.

If USDA were to establish energy-audit or labeling requirements that compare one property with another, NAR believes that owners of older properties would not be able to take advantage of the loan program, defeating the purpose of the legislation. Without the administrative rulemaking/paperwork procedures, property owners would be denied the opportunity to review or comment on the rulemaking in order to minimize its impacts. We look forward to working with the Subcommittee to help minimize regulatory/paperwork burden and maximize use of this important loan program.

Home Energy Auditing and Labeling

The Rural Star bill would require an energy audit to obtain a loan and direct USDA to contract with non-governmental organizations to develop a measurement and verification protocol. While we recognize the need to verify energy savings in a property before and after retrofitting, we are concerned that, if the choice were made to measure and label one home in comparison with another, such an implementation scheme would create “winners” and “losers”. Such a decision would ultimately discourage use of the loan program, especially for older homes which are most difficult to bring up to the standards that can be achieved vis-a-vis a newer home.

Energy labels stigmatize older properties and make it harder for the owners to build savings or equity. Labels also will reduce property values when existing owners sell and are forced to negotiate price reductions in order to compete in today’s buyer’s market.

According to data collected by the American Housing Survey (AHS) and analyzed by NAR, labeling real estate will create disproportional impacts on older property owners. More than 60% of U.S. homes were built prior to 1980 when the first building energy codes were established, and face relatively larger losses in property value due to building labels. These properties will require more improvements than the newer properties in order to match labeling scores and maintain their value.

According to the AHS data, a large share of these older properties are owned and occupied by older or disadvantaged populations. These populations include 73% of elderly, 69% of impoverished and 64% of Hispanic and black owners. Labels will not only stigmatize these families' older homes but the community where they are located and which are struggling to maintain and attract investment. There would also be regional disparities: rural communities could be especially stigmatized, as a substantial proportion of homes in those areas were built prior to 1980.

In addition, there is no reliable or meaningful metric that accurately captures the diversity of energy use across all properties. An unreliable rating system will not lead to home energy use reductions. And, while this is not the approach taken by the Rural Star program, NAR's members do have significant concerns should a labeling requirement be imposed on properties at time of sale. When buyers hold all the cards at the closing table, any use of transaction-based triggers only serve to send conflicting market signals – without any assurances that needed energy improvements will be made. As a result, NAR strongly opposes such an approach.

Before branding rural homes and buildings with labels, consumers require a better understanding of energy efficiency and the tools to turn information into action. For this reason, NAR supports:

- A. Raising public awareness about energy efficiency programs and information.
- B. Encouraging the federal government and the states to provide financial incentives to consumers to improve homes and buildings.

By developing the infrastructure and education, and providing the right incentives, property owners will make the energy improvements that will achieve real energy savings.

Training and Certification Standards

While NAR recognizes the need to address the training of workers to ensure that qualified work is performed, too many standards and training criteria will stifle entrepreneurial job creation and hinder the ability of small businesses to respond to rising retrofit demand. “One-size-fits-all” guidelines coming from inside the Beltway generally do not fit all the varying markets across the country. The federal government must strike a careful balance between creating a consistent set of guidelines that will increase consumer confidence and promote a stable and reliable national home retrofit workplace on one hand, while on the other ensure that local businesses are not hindered in their ability to respond to demand for this work.

In addition, while NAR appreciates Congress' efforts to encourage homeowners to make voluntary, incentive-based energy efficiency improvements, we would note the planned implementation of an EPA rule threatens to derail these activities. The Lead Renovation, Repair and Painting program applies to all residential and child-occupied facilities built before 1978 where a child under the age of six or a pregnant woman resides. Contractors disturbing a painted surface, six square feet or greater inside the home or 20 square feet on the exterior must follow new lead safe regulatory requirements, including training, certification, work practices, notification, clean-up and record keeping. As a result, a wide array of home retrofit projects envisioned by Congress, such as new windows, weatherization, insulation and other activities will trigger this rule. The renovators who conduct this type of work will be required to be trained in all of the new lead-safe work practices.

Unfortunately, the EPA has been slow in getting the required training and certification programs in place to train a sufficient number of workers to be available to conduct both the normal renovation activities and the expanded energy efficiency retrofit projects anticipated by the report. As a result, while the bill would envision retrofitting across rural America, in reality there will be few workers qualified to perform the work, thus hindering the very market the Act claims to want to jumpstart. EPA should extend the compliance date for lead paint training and certification until there are a sufficient number of workers available.

Conclusion

We thank you for the opportunity to share the Realtor[®] community's views on H.R. 4785, the Rural Energy Savings Program Act or "Rural Star" and related matters. We look forward to working with the Subcommittee to ensure the legislation provides rural property owners with the resources they need to make the energy improvements that will reduce energy costs while stimulating jobs in remodeling and renovation without stigmatizing communities or homes.